

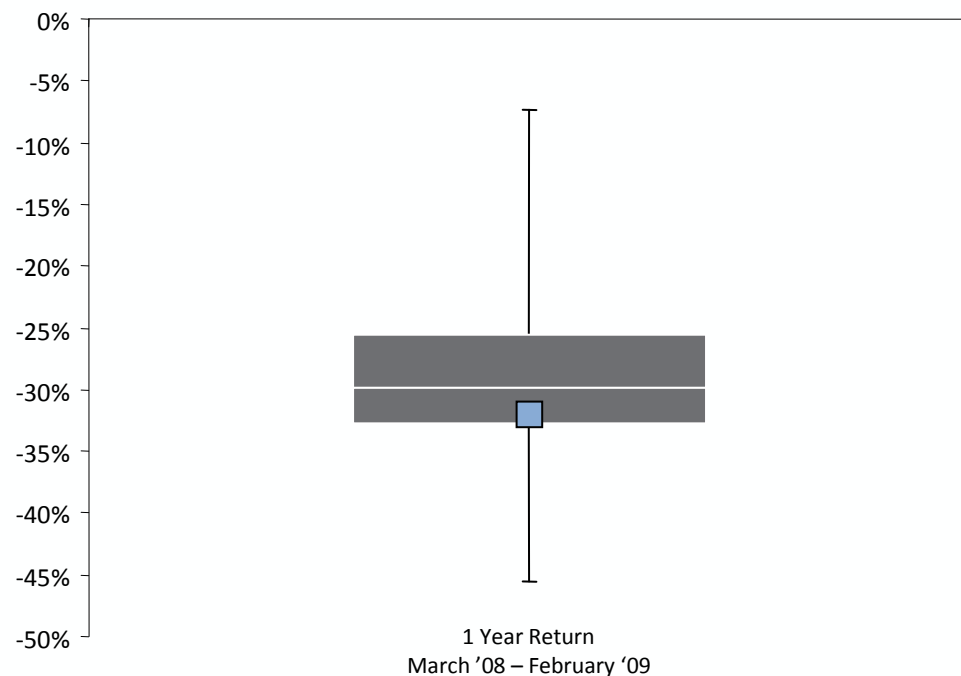
**Testimony before the U.S. Department of Labor  
and the Securities and Exchange Commission  
Hearing on Target Date Funds and Similar  
Investment Options**

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**Supplemental Written Testimony**

# How did TDF investors do compared to those who selected options from a DC line-up?

- We conducted an analysis of 100,000 DC participants who did not have access to TDFs on J.P. Morgan's Retirement Plan Services recordkeeping platform
- Asset allocation data highlighted that workers in their 60s had a fairly high allocation to equities on September 30, 2008, just as the dramatic decline in equities was beginning
- The actual median return of the 62-64 year old cohort in the plan was -32.1%, which ranked near the bottom of the 3<sup>rd</sup> quartile when looking at the Lipper 2010 universe of target date funds
- Most TDFs, regardless of their diversification and volatility approach, did better than the average 62-64 year-old investor on their own

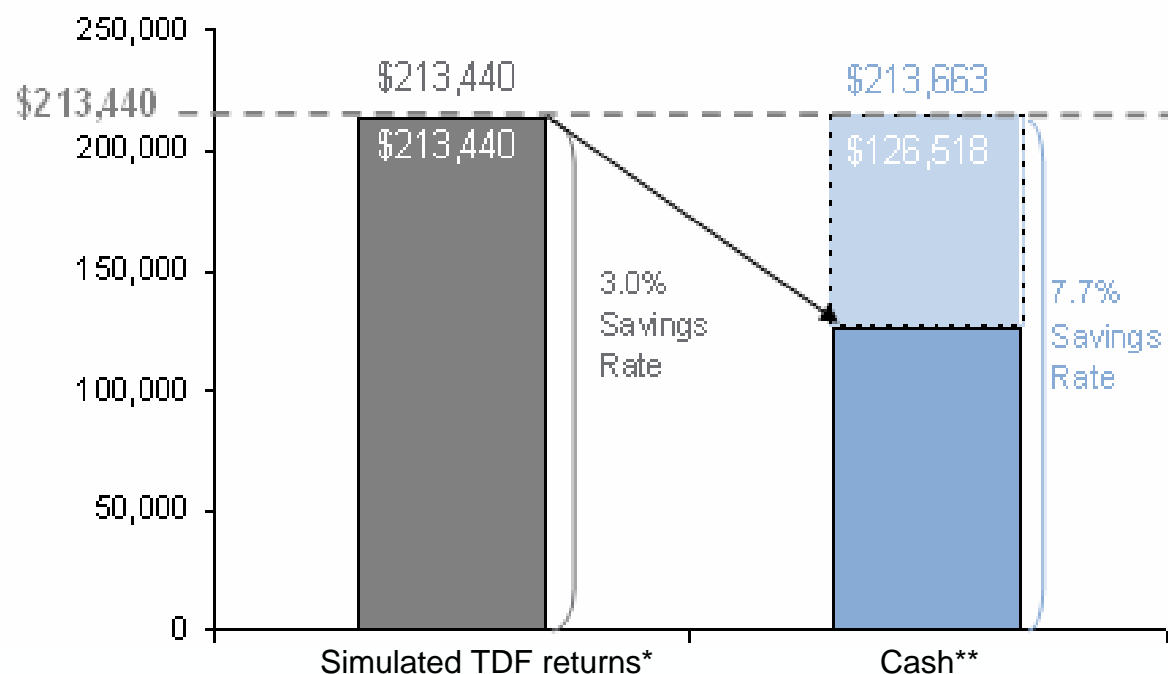


1 Year Return March '08 - February '09	
<b>Mixed-Asset Target 2010 Lipper Universe</b>	
1st Percentile	-7.4%
25th Percentile	-25.5%
50th Percentile	-29.9%
75th Percentile	-32.7%
99th Percentile	-45.5%
<b>Plan Participant Median, Ages 62-64</b>	<b>-32.1%</b>

Source: J.P. Morgan Asset Management, Lipper. As of February 24, 2009. Note: Past performance is not indicative of future returns. J.P. Morgan Retirement Plan Services database and is representative of future returns. Participant data was sourced from the J.P. Morgan Retirement Plan Services database and is representative of a large plan that has in excess of 100,000 employees, for which J.P. Morgan Retirement Plan Services is the recordkeeper.

## Clearly defining and articulating the goals of a default strategy are critical to meeting participant expectations

- The safest strategy is one that has the highest probability of “getting over the finish line” – not one that doesn’t lose money in a bear market
- Even after a 20% loss in 2008 and essentially no returns from the US equity market for 10 years, the simulated TDF portfolio\* generated a balance almost twice as high as a simulated money market account
- Downside protection is expensive – the “safe” strategy that doesn’t lose money requires more than double the savings to achieve the same result



Returns were simulated with historical performance over the 25 years ending 2/28/09. \*TDF returns are modeled using index returns for each asset class, with allocations that change in accordance with an allocation that starts with the JPMorgan SmartRetirement 2030 fund allocations and glides for 25 years to end in the Income fund in February 2009. Cash returns were simulated using T-bills.

# Glidepath example

Longest time horizon: balancing theory with reality

- 93% exposure to risk assets balances optimal return expectations with optimal volatility

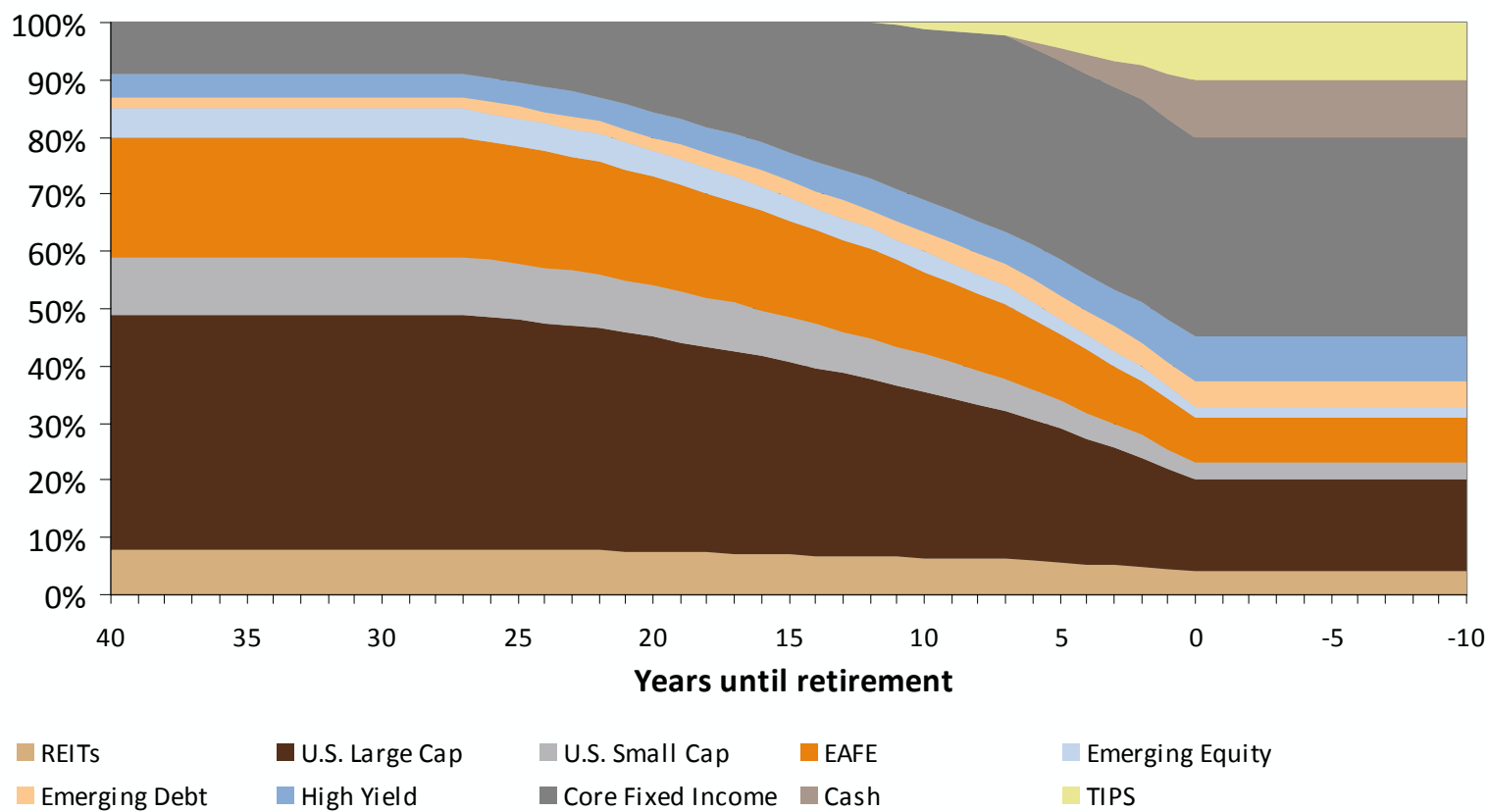
The middle years

- Begin reducing portfolio risk with 25 years to retirement
- Accelerating risk reduction towards retirement

At retirement

- Fully diversified asset allocation maximizes expected return for a relatively low level of risk
- Asset allocation remains static in retirement

## Asset Allocation Glide Path



The above chart is shown for illustrative purposes only.

# J.P. Morgan Asset Management

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The following indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of fund performance. It is not possible to invest directly into an index. Past performance is not a guarantee of and may not be an indication of future results. Total return figures reflect the reinvestment of dividends.

The Merrill Lynch 3-month U.S. Treasury Bill Index is a one-security index which, at the beginning of every month, selects for inclusion the bill maturing closes to, but not beyond, 91 days from that date. That is then held for one month, sold and rolled into a new bill. It does not include fees or expenses.

The Barclays Capital U.S. Aggregate Index (formerly Lehman Brothers U.S. Aggregate Index) is an unmanaged index that represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

The Barclays Capital U.S. Corporate Index (formerly Lehman Brothers U.S. Corporate Index) covers USD-denominated, investment-grade, fixed rate, taxable securities sold by industrial, utility and financial issuers. It includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Securities in the index roll up to the U.S. Credit and U.S. Aggregate indices.

The Barclays U.S. Government/Credit Index (formerly Lehman Brothers U.S. Government/Credit Index) is the non-securitized component of the U.S. Aggregate Index. The U.S. Government/Credit Index includes Treasuries, Government-Related issues (i.e. agency, sovereign, supranational, and local authority debt), and USD Corporates. The U.S. Government/Credit Index is a subset of the U.S. Aggregate Index.

The Merrill Lynch Global Broad Index tracks the performance of investment grade public debt issued in the major domestic and Eurobond markets, including "global" bonds.

The Barclays Capital High Yield Index (formerly Lehman Brothers High Yield Index) is an unmanaged index comprised of fixed-rate, non-investment grade debt securities that are dollar denominated and non-convertible.

The S&P 500 Index is an unmanaged broad-based index that is used as representation of the U.S. stock market. It includes 500 widely held common stocks.

The Russell 1000 Index is an unmanaged Index, which measures the performance of the 1000 largest companies (on the basis of capitalization) in the Russell 3000 Index.

The Russell 2000 Index is an unmanaged Index, which measures the performance of the smallest 2000 smallest stocks (on the basis of capitalization) in the Russell 3000 Index.

The Dow Jones Wilshire Real Estate Securities Index is an unmanaged, broad-based, market capitalization-weighted index comprised of publicly traded REITs and real estate operating companies, not including special purpose or health care REITs. It is comprised of major companies in the companies engaged in the equity ownership and operation of commercial real estate.

The MSCI EAFE (Europe, Australasia, Far East) Net Index is unmanaged and is a representation (or model) of the performance of the world's equity markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Equity Index measures emerging stock-market performance and does not include fees or expenses.

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